

**MINUTES OF REGULAR MEETING  
ILLINOIS GAMING BOARD  
JUNE 15, 1999  
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on June 15, 1999 in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120.

The following Board Members were present: Robert F. Vickrey, Acting Chairman; and Members William B. Browder and Stuart P. Levine.

Also in attendance were: Administrator Robert F. Casey, Deputy Administrators Joseph Haughey, Allan McDonald, Roger Shiels, and Thomas Swoik, Chief Counsel Mareile' Cusack, other members of the staff, the media, the general public and interested parties.

Acting Chairman Vickrey called the meeting to order at 9:30 a.m. Member Levine moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

**Issues Concerning Applicants and Licensees  
Recommendations of Administrative Law Judges  
Pending Litigation and Matters Involving Probable Litigation  
Investigatory Matters  
Personnel Matters  
Closed Session Minutes**

Member Browder seconded the motion. The Board adopted the motion by unanimous consent.

The Board convened in Open Session at 12:27 p.m.

Acting Chairman Vickrey reported that Tom Johnson had a conflict in his schedule and was unable to attend today's meeting. He stated that the Board voted unanimously that he chair the meeting in Mr. Johnson absence.

Board Minutes

**Member Browder moved** that the Board approve the minutes from the open and closed sessions of the May 18, 1999 regular meeting. **Member Levine seconded the motion. The Board approved the motion unanimously by voice vote.**

Chairman's Report

Acting Chairman Vickrey again stated that Tom Johnson was not able to attend the Board meeting due to a scheduling conflict. The Chairman announced that Member Browder's term expires June 30, 1999 and he has asked not to be reappointed. Mr. Browder has served as a member of the Board for six years, beginning in September of 1993. Prior to joining the Board he was a member of the Board of the Chicago Crime Commission for more than 30 years. He also served as a member of the Illinois Racing Board, the Board of Higher Education and the University of Illinois Foundation. The Board wished Member Browder well.

Member Browder stated that he turned in his resignation before SB 1017 was passed and stated that he sees nothing in the new legislation that will change the Board's authority. He commended the Board for maintaining its reputation as a leader in the industry and expressed confidence that the Board will continue to carry out its duties with a firm but fair hand.

Acting Chairman Vickrey reported several changes to the agenda. He stated that:

HP, Inc. requested to withdraw its request to make a presentation.

The emergency rules have been removed from the agenda to enable Board members additional time to review them. Acting Chairman Vickrey stated that Board members are prepared to hold a special meeting if and when the Governor signs SB 1017.

Staff received a subpoena requesting information contained in the application of a former licensed supplier. This item will be considered under Administrative Hearings/ALJ Reports.

### Administrator's Report

Administrator Casey wished Member Browder well and thanked him for his service.

The Administrator reported that the General Assembly passed Senate Bill 1017 on May 25, 1999 and forwarded it to the Governor for his signature. The bill will become law once it is signed by the Governor. He stated that if and when the bill becomes law it will impact several areas of the Board's current regulations. In preparation for the changes in the rules and regulations, staff has distributed a memorandum to all owner licensees advising them that staff will notify them as soon as the bill is signed. At that time, licensees will be immediately permitted to conduct gaming while dockside. In addition, all licensees have been asked to revise their Internal Controls in order to comply with the calculations for admission taxes provided for under SB 1017.

The Administrator reported that in anticipation of the new law, several licensees have requested to alter their gaming hours. Staff is currently reviewing the requests.

The Administrator stated that the Administrative Law Judge ("ALJ") in the proceeding entitled the non-renewal of the owner's license of HP, Inc. issued a recommended order. The order granted the Board's motion for summary judgment and affirmed the Board's initial denial of HP, Inc.'s license renewal. Administrator Casey stated that immediately after the ALJ issued the order, HP, Inc.'s counsel filed a motion for reconsideration. The ALJ denied the motion and forwarded the administrative record to the Board for its review. On June 10, HP, Inc.'s counsel filed a second motion for reconsideration before the ALJ. Staff has asked that the ALJ immediately deny HP, Inc.'s motion because the proceedings are no longer before this Judge. Staff is currently waiting for the ALJ to issue a ruling regarding this last motion for reconsideration.

Administrator Casey stated that the Supreme Court recently struck down a ban on casino advertising. Staff will be examining that decision to determine its impact on Illinois casinos.

Deputy Administrator Swoik summarized the monthly statistical reports for May regarding adjusted gross receipts, admissions and patron counts. He reported that the adjusted gross revenues for the month of May were up almost \$13 million statewide over the same month a year ago. Mr. Swoik stated that May of 1999's AGR was \$105.6 million, making May 1999 the strongest May in gaming receipts since the riverboats began operations in Illinois. He reported that although May 1999 was up 13.6 percent over May 1998 there was a slight decline from April 1999 figures to May by 1.5 percent.

Mr. Swoik stated that the Governor signed the Gaming Board's appropriation bill and that staff had requested approximately \$13.6 million. The final appropriation was \$37.00 under the requested amount. Mr. Swoik introduced Ryan Zufall, an analyst from the Bureau of the Budget, who is responsible for reviewing the Gaming Board's budget. Mr. Swoik thanked him for his assistance.

### Owner Licensee Items

CASINO QUEEN – Ed Duffy, representing Casino Queen, requested initial consideration of renewal of its owner's license. Mr. Duffy showed photos of the hotel being developed on the Casino Queen property. He stated that the hotel is scheduled to open on December 31, 1999.

Mr. Duffy reported on the progress made in its local community with the proceeds paid for the property when Casino Queen decided to build the hotel. The property, previously owned by the South Western Illinois Development Authority ("SWIDA"), entered into a development agreement with Casino Queen whereby SWIDA agreed to reinvest the proceeds from Casino Queen's payment into the community in infrastructure and housing improvements for the local residents. SWIDA invested nearly \$400,000 in single family housing which will benefit the local citizens of East St. Louis.

Acting Chairman Vickrey asked Mr. Duffy to update the Board on its RV Park. Mr. Duffy stated that the RV Park, located on Route 55, opened in early 1999 and is fully operational. Casino Queen has been promoting the RV Park throughout Illinois, Missouri and beyond.

In response to Acting Chairman Vickrey, Mr. Duffy stated that Mayor Gordon Bush decided not to seek re-election and Debra Powell was recently elected as the Mayor of East St. Louis.

Mr. Duffy invited Board members to visit the Casino Queen and see the new hotel as well as other improvements.

In response to Acting Chairman Vickrey, Mr. Duffy stated that the new hotel generated 100 jobs during the construction phase and an additional 50 full-time jobs will be created to operate the hotel. Mr. Duffy stated that the hotel is next to the casino with an enclosed walkway connecting the two.

EMPRESS CASINO JOLIET – David Fendrick, representing Empress, requested final approval of its owner's license.

Chief Counsel Cusack stated that Empress' application was filed on a timely basis and the licensee fully cooperated with staff during the renewal process. Ms. Cusack stated that staff has one concern pertaining to the company's credit policies. In July 1998 the Board and staff expressed concerns regarding Empress' credit policies. The Board directed the Administrator to engage an audit firm to conduct a compliance review of Empress' credit practices and procedures. The audit identified numerous items of concern and made several recommendations for improvements. Counsel Cusack stated that staff recommends, as a condition of renewal, that Empress submit a plan detailing the steps it will take in the forthcoming licensure year to re-evaluate its compliance with the company's established credit policies, procedures and internal controls.

Acting Chairman Vickrey asked if Empress has adopted an affirmative action plan for the hiring and promotion of minorities.

Mr. Fendrick indicated that the prior management instituted a program called the President's Program. This program informally looked at minorities within the company who had potential, identified those people and put them in positions to be in a place to succeed and move up to management ranks. The Empress employee population is made up of approximately 19 percent minority including African American, Asian and Hispanic. Of the 19 percent, about 13 percent are in supervisory or management positions. Mr. Fendrick stated that the President's Program is not in place any longer but the spirit of the program under a different vision still operates. He stated that Empress has a very informal program to recognize minorities and place them in management positions.

Acting Chairman Vickrey stated that the Illinois General Assembly passed a resolution in the Spring session that asked the Gaming Board to prepare a report on minorities. Acting Chairman Vickrey asked all licensees to have knowledge of their minority ownership as the Board will be looking at this during 1999.

Acting Chairman Vickrey asked Mr. Fendrick to discuss what the Empress did to bring its revenues up by 11 percent during the last licensure period. Mr. Fendrick stated that it was a team effort. Empress focused on its management team, structure, training and getting the right people into the right positions. Empress worked at team building at all levels. Mr. Fendrick stated that Empress spent much of its capital on improving the property such as the infrastructure, curb and gutter, and revamping the restaurants. Empress spent approximately \$1 million on each boat putting in new slot machines, new signage, new carpeting, paint and wallpaper. Finally Empress focused on training its employees to make sure the guests were treated well, and that service is efficient and quick.

In response to Acting Chairman Vickrey, Mr. Fendrick stated that its revenue projections for 1999 and 2000 are based on the growth of the market and the programs implemented to improve guest service.

Acting Chairman Vickrey asked what Empress' plans are if the proposed legislation is signed and if Empress feels its revenue projections will change. Mr. Fendrick stated that Empress feels revenues will increase at a moderate level.

**Member Levine moved that the Board approve Empress Casino Joliet's application and renew Empress' owner's license for a period of one year to expire in June 2000. In renewing the license, the Board orders Empress to submit a plan to the Administrator detailing the steps it will take during the forthcoming licensure year to re-evaluate its compliance with the company's established credit policies, procedures and Internal Controls.**

**I further move that the Board designate the following as key persons of the licensee:**

**The officers and members of the Board of directors of Empress Casino Joliet Corporation;  
Empress Entertainment, Inc.; and,  
Each of the owners of Empress Entertainment, Inc.**

**Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.**

**Mr. Fendrick requested approval of Jeffrey Williams as the Director of Information Systems.**

**Member Browder moved** that the Board approve Jeffrey Brian Williams as a Level 1 Occupational Licensee of Empress Casino Joliet. **Member Levine seconded the motion. The Board approved the motion unanimously by voice vote.**

PAR-A-DICE GAMING COMPANY ("PGC") & CASINO ROCK ISLAND ("CRI") – Donna More, representing both PGC and CRI, requested final approval to remain dockside while preventive maintenance is performed.

**Member Levine moved** that the Board approve Par-A-Dice Gaming Company and Casino Rock Island's requests for a waiver of Board Rule 3000.510 and delegate to the Administrator authority to allow Par-A-Dice and Casino Rock Island to conduct gaming while remaining dockside for a limited time period while preventive maintenance is performed on the Par-A-Dice vessel and the annual hull conditional assessment, pursuant to U.S. Coast Guard rule, is performed on the Casino Rock Island. **Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.**

HARRAH'S CASINO JOLIET – Jim Rankl, representing Harrah's, requested approval of Roseanne Ruth as Senior Internal Auditor.

**Member Browder moved** that the Board approve Rosanne Ruth as a Level 1 Occupational Licensee of Harrah's Joliet Casino. **Member Levine seconded the motion. The Board approved the motion unanimously by voice vote.**

#### Supplier Licensees

ARISTOCRAT – Donna More, representing Aristocrat, requested approval of Elgin McClain as a Key Person.

**Member Browder moved** that the Board approve Elgin D. McClain as a Key Person of Aristocrat, Inc. **Member Levine seconded the motion. The Board approved the motion unanimously by voice vote.**

**Member Browder moved** that the Board approve 26 applications for an Occupational License, Level 2, and 32 applications for an Occupational License, Level 3, and deny 1 application for an Occupational License, Level 3. **Member Levine seconded the motion. The Board approved the motion unanimously by voice vote.**

#### Administrative Hearings/ALJ Reports

**Member Browder moved** that the Board deny the hearing request submitted by Thomas Frenkel due to his failure to comply with the requirements of Board rule 3000.405. **Member Levine seconded the motion. The Board approved the motion unanimously by voice vote.**

Ms. Cusack stated that staff received a subpoena for documents contained in the application of a former supplier, Nevada Coin Mart. Ms. Cusack stated that generally the Board has taken the position that materials contained in an application are strictly confidential and not disclosable. Staff asked that the Board maintain this position and direct the Administrator to seek representation from the Attorney General to quash the subpoena.

**Member Levine moved** that the Administrator be directed to seek representation from the office of the Attorney General to quash the subpoena issued by the Circuit Court of Cook County in Case No. 99L06159. **Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.**

#### Complaints & Disciplinary Actions

**Member Levine moved** that the Board issue disciplinary actions against Charles Blastrode, Jr. and Janette M. McGilvery and revoke their respective occupational licenses. **Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.**

#### Board Policy Items

CODE OF CONDUCT ("Code") – Administrator Casey stated that the original language of the Code in paragraphs 6, 7, and 8 raised certain questions and interpretations. Staff felt it to be more appropriate to use the exact language of the Riverboat Gambling Act ("Act") pertaining to employees and members of the Board in lieu of the former language. Administrator Casey suggested that the language in paragraphs 6, 7, and 8 be stricken and exact language of the Act pertaining to employees be inserted as new paragraph 6 and the exact language of the Act pertaining to members of the Board be inserted as new paragraph 7. The Administrator also stated that former paragraph 11, now paragraph 10, reflects changes resulting from the enactment of the State Gift Ban Act.

**In response to Acting Chairman Vickrey, Deputy Counsel Mac Ryder gave a brief overview of the changes. He stated that the State Gift Ban Act went into effect January 1, 1999 and the Governor's Executive Order in the**

spring eliminated what he considered to be duplicative requirements of a separate economic disclosure filing with the State Board of Ethics. The Board's Code of Conduct in the last paragraph required not only compliance with the State Governmental Ethics Act disclosure statement but also the requirement for filing with the State Board of Ethics. Paragraphs 6, 7 and 8 have to do with overlapping and confusing provisions with respect to what was in the Code of Conduct versus what the relatively clear statutory provisions were. The Code of Conduct was never intended to override the provisions of the law so staff felt it was better to take out the overlapping provisions and insert the statutory language to re-emphasize what the statute says.

**Member Browder moved** that the Board adopt the amendments to Sections 6, 7, 8, and 11 of the Code of Conduct. **Member Levine seconded the motion. The Board approved the motion unanimously by voice vote.**

ROYALTY PAYMENTS – Chief Counsel Cusack reminded the Board that at the May meeting the Board discussed the treatment that should be given to persons or entities that provide intellectual property rights of a game to owner licensees in exchange for royalty payments. At the May meeting three options were considered. First, was to place the burden on the owner licensees to investigate the provider of the intellectual property prior to entering into agreements. Second, prior to entering into any royalty agreements owner licensees must seek the approval of the Administrator. The third option required that all such providers of intellectual property be obligated to obtain supplier licenses prior to entering into any royalty agreements.

Counsel Cusack stated that in considering these options, the Board appeared to prefer requiring that such providers obtain a supplier license. The Board was also concerned with the licensing and application fees required in order to obtain a supplier's license. Per the Board's request staff has presented to the Board potential revenues that such providers might obtain from Illinois casinos. Staff also presented to the Board proposed legislation that would allow licensing fees to be graduated based upon the amount of business transacted in Illinois.

Acting Chairman Vickrey asked if the Board had any latitude on fees. Counsel Cusack stated that there are two bases for latitude on fees. 1.) The statute requires a \$5,000 licensing fee. 2.) The Board Rules require a \$10,000 application fee. Ms. Cusack stated that Board Rule 3000.260 allows the Board to waive any of its requirements based upon rules. For example, the Board could waive the \$10,000 application fee thereby reducing the fee for obtaining a supplier's license to \$5,000. This would cause the agency to incur any additional costs of the investigation. Another example is to create a separate category for providers of intellectual property.

Acting Chairman Vickrey stated that he would like to see Illinois encourage individuals with ideas but lack entry level capital a way to expand their ideas to turn them into good sound businesses. He suggested that the Board do something as well as direct the individuals to the Department of Commerce and Community Affairs. Counsel Cusack suggested that staff work on a series of rules that would create a new category, such as the Marketing Agent category, and base the application and licensing fee upon a graduated fee based on the amount of business transacted in Illinois.

Acting Chairman Vickrey asked staff to continue to discuss ideas but to hold off forming any conclusions until the Board has a full complement of members.

#### **PUBLIC COMMENTARY**

James Kane, representing the Jo Daviess County Board, stated that the infrastructure improvements made by Jo Daviess County, during the initial licensing of the Silver Eagle, cost approximately \$3.6 million for water and sewer. He stated that after the cessation of the Silver Eagle operation, both the sewer and water systems became under utilized yet the County still incurs costs to maintain both systems. Mr. Kane stated that with the potential of the new legislation being signed by the Governor and the possibility of the license being transferred to another location, the County is seeking that the Board make it a condition of the transfer of the license that the County be reimbursed for its expenditures for the infrastructure improvements. Mr. Kane stated that he believes there is authority under the existing statute and regulations whereby the Board could make this a condition precedent.

In response to Acting Chairman Vickrey, Mr. Kane stated that the sewer lines were extended from East Dubuque to the boat and there are some peripheral uses involved. The sewer system must be flushed periodically because of its non-use. Mr. Kane stated that neither system is being utilized to its full capacity nor is it anticipated to be used any time in the near future, or conceivably ever.

Acting Chairman Vickrey asked where the sewage treatment plant is located. Mr. McFadden, Jo Daviess County Board Chairman, stated that there was an inter-governmental agreement between Jo Daviess County and East Dubuque to treat the sewage. The water lines are an independent system.

Acting Chairman Vickrey asked if the property was ever annexed to East Dubuque. Mr. McFadden responded in the negative and stated that the City of East Dubuque is in the County of Jo Daviess. Mr. McFadden stated that the inter-governmental agreement to treat the sewage was a pre-development agreement when the system was installed. Acting Chairman Vickrey asked if there was any "exit" penalty in the agreement should the Silver Eagle close or leave. Mr. McFadden responded in the negative. He further added that Jo Daviess County has sold the infrastructure to East Dubuque for \$1.00 and the City is presently operating the infrastructure.

Acting Chairman Vickrey asked if during the time the Silver Eagle was operating if any of the tax revenue generated by admission or gaming taxes flowed to the City of East Dubuque. Mr. McFadden responded in the negative. The revenue only went to Jo Daviess County. Acting Chairman Vickrey asked what the amount was. Mr. McFadden stated \$8.2 million.

Reverend Tom Grey, representing the National Coalition Against Gambling Expansion, raised several concerns he has with the proposed Senate Bill 1017. Rev. Grey asked for the Board's interpretation of the word "shall" on page 99 of the legislation regarding the relocation of a riverboat home dock. He asked if "shall" means that HP, Inc. will be granted a renewal of its license and if so he has problems with the integrity and public confidence. Rev. Grey gave examples of why he feels HP, Inc. is not a suitable candidate for licensure. He stated that in his reading "shall" takes away the power of the Gaming Board and its ability to regulate a licensee.

Acting Chairman Vickrey stated that an application will be submitted to the Board and each investor will be investigated for suitability. Rev. Grey asked if the Board will recommend to the Governor that he not sign the bill if "shall" means the Board is forced to grant the license to HP. Chief Counsel Cusack responded to Rev. Grey by stating that staff has examined SB 1017 and has not fully determined the impact of the legislation. Preliminarily, HP is required to file an application with the Board and is subject to suitability. Ms. Cusack stated that the relocation verbiage in the legislation is less clear but the filing of an application would be meaningless unless it signified a complete review of the applicant.

Acting Chairman Vickrey stated that should the bill be signed the Board will be required to follow the requirements of the law. An application must be filed that the Board will review in a complete and rigorous manner. The Acting Chairman stated that an agreement must first be made between a licensee and a municipality before the licensee can come to the Board and apply.

Member Browder stated that in his opinion the law does not say that the Board has no authority except to grant this license. He further commented that whatever the Board decides to do it may be contested in the courts. Member Browder stated that it is his opinion that the law does not have to be construed that the Board has no choice as a Board. The Board has a choice based on other language in the Act that anticipated either a relocation or the issuance of a new license.

Acting Chairman Vickrey stated that he predicts the Governor will sign the bill as it is and HP will make application at a site of their choice. Staff will thoroughly investigate the application and suitability will be paramount in the application process.

Anita Bedell, representing Illinois Church Action on Alcohol Problems, voiced her concerns about SB 1017. She is concerned about the elimination of cruising requirements and dockside gaming; a provision in the bill eliminating the restriction for an individual or corporation with more than 10 percent ownership in a riverboat from owning a percentage of another license; and, the extension of owner renewals from 1 to 4 years. Ms. Bedell expressed concern at what she stated were Gaming Board "lobbyists" talking with representatives during the floor debate of SB 1017.

Acting Chairman Vickrey stated that the Gaming Board does not have "lobbyists". Staff is present during debates to answer questions of specific members of the General Assembly. It is not the practice of the Board to try to influence laws on gaming.

Ms. Bedell asked if the Board will accept the Administrative Law Judge's ("ALJ") decision on HP, Inc. Acting Chairman Vickrey stated that HP has filed a motion for reconsideration of the summary judgment with the ALJ so staff cannot act while the issue is before the ALJ.

Ms. Bedell asked the Board why they did not speak up in opposition of dockside gaming or the lack of a wagering limit. Acting Chairman Vickrey stated that dockside gaming was a public policy decision made by the Illinois General Assembly. The wagering loss limit was debated before the Riverboat Gambling Act was created and in turn the Gaming Board did not exist during the debate.

Chief Counsel Cusack addressed the loss limit issue. She stated that the Act originally required that the Board review the patterns of wagering and that it make a recommendation to the Governor and the General Assembly by January 31, 1992. The Board, as required, submitted a Wagering Study.

There being no further business to come before the Board, Member Browder moved **that the Board stand adjourned**. Member Levine seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 2:13 p.m.

Respectfully submitted,

Susan O. Weber  
Secretary of the Board